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C O N F I D E N T I A L LUANDA 000215

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SUBJECT: ANGOLA CHARTS PAYMENT OF PARIS CLUB ARREARS

REF: LUANDA 00185

Classified By: Amb. Cynthia Efird for Reasons 1.5 (b) and (d)

SUMMARY:

¶1. (C) Angolan Finance Minister Pedro de Morais said the GRA is considering two scenarios for rescheduling its Paris Club arrears at the March 7, 2006, meeting: either a classic debt renegotiation that would involve rescheduling on the basis of an IMF program; or rescheduling the Paris Club debt without an IMF plan and with no concessions. The GRA resoundingly prefers option two. De Morais said that the GRA is eager to reschedule its debt in order to improve its ratings with creditors. He elaborated, &Once Angola solves its Paris Club problems, it will receive an international commercial credit rating and other companies will want to invest in Angola.8 End Summary.

¶2. (U) Ambassador Efird, visiting AF/S Director Dan Mozena and Pol/Econ chief (notetaker) met with Angolan Minister of Finance Jose Pedro de Morais on March 6, 2006, to discuss a variety of economic issues. In the context of upcoming economic steps, Minister Morais said the &secretariat8 would offer two scenarios for renegotiating its Paris Club debt at the March meeting. He also discussed the upcoming visit of the IMF team to Luanda for Article IV review. He also cited a World Bank-hosted petroleum revenues seminar as a part of a GRA effort on transparency, noting that there would be a session especially for NGOs and other stakeholders, in addition to the government session. He also touched on the ongoing US-GRA cooperation (technical assistance for the MOF).

Proposals Ready to Put on the Paris Club Table

¶3. (C) Minister Morais detailed the two options for tomorrow's Paris Club discussions. Option one is a classic Paris Club debt negotiation that would include an IMF approved program. Option two is to reschedule the debt with no IMF plan and with no concessions. Morais explained that the GRA is eager to clear its debt arrears situation to attract more foreign investment and achieve an international commercial credit rating. Note: Minister Morais quoted the GRA current arrears with the Paris Club at USD 2 Billion and the upcoming installment at USD 0.5 billion. End note.

¶4. (C) The GRA believes that option one would take too long because of the modalities required in negotiating an IMF plan. He commented that it would also be a hard sell with the political leadership who will ask, &What will Angola receive in return for the concessions we will make under an IMF program?8 Minister Morais elaborated, that because of its oil windfall derived cash reserves, the GRA doesn't have

an urgency to negotiate an IMF plan. With oil and diamond reserves, and agricultural potential, Angola offers attractive areas for private investment, which will be vital to build the war-ravaged infrastructure and economy. He said Angola is looking to put into place the right incentives to make its economy move forward.

¶5. (C) Minister Morais characterized the debt repayment as writing a check for USD 2 Billion, to which Office Director Mozena asked, &In what time frame would the GRA be able to pay the USD 2 Billion?8 Minister Morais did not specify a time frame.

¶6. (U) This cable was cleared by AF/S Director Dan Mozena.
EFIRD